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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2376

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## EAST EUROPE REPORT

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## INTERNATIONAL AFFAIRS

### STATISTICS PUBLISHED ON CEMA TRADE IN MACHINERY, EQUIPMENT

East Berlin--DDR-AUSSENWIRTSCHAFT in German Vol 10, No 49, 1 Dec 82 pp 1-2

[Report by Information and Public Relations Department, GDR Ministry for Foreign Trade; edited version of CEMA INFORMATION BULLETIN No 10, 1982: "Machines and Equipment--Dynamic Factor in Mutual Trade of CEMA Countries"]

[Text] In the development of socialist economic integration, mutual trade in machinery and equipment plays a special role. This relates directly to the division of labor in material production and its most progressive form, that of specialization and cooperation.

CEMA's comprehensive program states that the CEMA countries attach great importance to the mutual trade in machinery and equipment as its most active and dynamic sector.

Industrial production development accelerated increased deliveries of machines and equipment. By 1980 industrial production was 12.5 times that of 1951, the output of machine building, 35 times. Machinery and equipment exports in mutual trade rose from R 28.4 billion in 1966/70 to R 57.8 billion in 1971/75 and to R 102.5 billion in 1976/80. Trade in machinery and equipment thus developed faster than CEMA import-export at large.

#### Reciprocal Trade Development

	<u>1960</u>	<u>1970</u>	<u>1980</u>
	<u>1950=1</u>		
Reciprocal Trade Turnover	3.2	7.8	25.4
of which: machinery and equipment	4.9	14.5	50.8

The further import-export development in machine building is written into the long-term trade agreements for 1981/85. As in previous five-year plans, that remains the most dynamic trade sector. It will have a circa 46-percent share of overall trade in 1985.

The export of those countries in which machine building was but faintly developed previously increased especially fast. Bulgaria is an example. In 1950 it exported no machinery and equipment; in 1980, it supplied the CEMA countries alone with such products at a value of R 2.6 billion, 54.3 percent of Bulgaria's total exports to CEMA countries. In the same period, machinery and equipment

deliveries from Poland and Romania rose 85 and 148 times respectively. The other CEMA countries also show high growth figures. Machinery exports from Hungary became 29 times as large, from the GDR, 44 times, from the USSR, 32 times, from the CSSR, 22 times. This trend reflects not only the industrial character of the economies in the CEMA countries, but also the assimilation in their levels of development.

The export of complete installations and the volume of assembly and furnishing are increasing year after year. In 1980 the deliveries of such installations were 4.2 as much as in 1970.

In the last five-year plan period alone, over 480 industrial enterprises and other objects were set up in the CEMA countries with technical assistance from the USSR. Soviet exports of complete installations to the CEMA countries came to R 1.2 billion in 1961/65, R 2.5 billion in 1971/75, and R 6.3 billion in 1976/80. The USSR in 1976/80 imported from the CEMA countries approximately 1,000 complete installations for the metallurgical, petrochemical, light and foodstuffs industry and other industrial branches and for transportation and telecommunications. It buys more than half of the machinery and equipment the other CEMA countries exported within the framework of mutual trade.

#### Changes in the Microstructure for the Benefit of Efficiency-Boosting Products

There have been significant changes in the structure of mutual trade in machinery and equipment. The shipment of products that control technical progress was speeded up. There was a speed-up in mutual deliveries in electronic computers, equipment for automated systems and machine tools, and equipment for nuclear power plants and chemical enterprises. Mutual trade in electronic computer technology came to 14 times as much as 10 years ago.

Currently, the CEMA countries and the CEMA organs aim their efforts at the broad utilization of the advantages of international specialization and co-operation, with the aim of raising the scientific-technical production level and organizing the manufacture of new technology still showing deficits, that would ensure the introduction of progressive technological processes and a complex mechanization and automation of production and management in conformity with the requirements of the scientific-technical revolution.

Proceeding from there, CEMA at its 34th conference recommended concentrating --on problems of special importance for economic development, --on more complex cooperation through closer ties among research, technical development, production, and mutual trade in highly productive technologies, --and on expanding international production specialization of standard components and parts.

To that end CEMA and its executive committee, at its 97th conference, set down seven production specialization and cooperation priority areas that are of primary importance for making the economies more efficient, accelerating the scientific-technical progress, boosting labor productivity, and substituting for imports from capitalist industrial countries. These are the development and production of



- new progressive controls for production processes on the basis of mini and micro-processors--electronic components (setting up a unified base),
- specialized technological equipment for electronics,
- machine complexes and equipment to reduce manual labor, including standardized industrial robots,
- machine complexes for open-pit mining and pipeline construction,
- equipment ensuring a more rational consumption of fuels and energy, especially energy equipment, chemical and petrochemical installations and diesel motors,
- highly productive precision tool machinery and foundry equipment, and
- machine systems for the complex mechanization of agriculture.

The implementation of the cooperation measures introduced in these fields will greatly boost the mutual trade in machinery products.

#### Accelerated Export With Specialized Products

Especially after the CEMA comprehensive program was adopted, the planning bases in cooperation have been much consolidated and expanded. New planning documents became effective in practice, such as the coordinated plans on multilateral integration measures, the long-term cooperation target programs, and the bilateral long-term production specialization and cooperation programs.

A special criterion of the current cooperation phase is the higher speed of growth in the delivery of specialized products in the mutual machinery and equipment trade. This trend is continuing in the current five-year plan period. The export of specialized products came to R 8.8 billion between 1971 and 1980. It rose to 6.5 times of what it had been, while machinery products at large increased 3.5 times. The proportion of specialized products in machinery export rose from 17.7 percent in 1971 to 35 percent in 1980. This proportion will keep rising till 1985.

The specialization and cooperation development enables the partner countries to organize the production of appropriate products at optimum volumes and plan their production and sales long range. Bulgaria, for instance, in 1980 sent 58,700 (90 percent) of the 65,500 electrical and motorized carts it had produced to the CEMA countries, and 77 percent of Hungary's bus production went to the CEMA countries.

On the basis of international specialization, Bulgaria in 1980 produced 29 times as many electrical trolleys as in 1960 and 21 times as many electrical and motorized carts. Hungary's bus production rose by 6.6 times in the same period. Hungary became the biggest bus producer in Europe. In the GDR, farm machinery production rose sevenfold. In Romania, machine tool production rose by a factor of 6.6, and the production of technological equipment for the textile industry, in the CSSR, by one of 16.

#### Stronger Specialization not Only for End Products

Throughout the last decade, the CEMA countries paid greater attention to the specialization in components and parts and the production cooperation that goes with it. An example is the cooperation in the motor vehicle industry, which made special headway. Hungary became a large producer of real axles for

busses and heavy motor vehicles. Between 1976 and 1980, it supplied the USSR alone with over 150,000 parts like that. Furthermore, for the AvtoVas Association, the USSR is getting from Hungary between 300,000 and 400,000 components for its motor vehicle construction. Through cooperation ancillary deliveries, Bulgaria, Poland, the CSSR and Yugoslavia also take part in this.

The most important multilateral specialization and cooperation agreements signed in recent years provide for a volume production and mutual deliveries not only of end products but also of essential parts. That includes the agreements in the fields of machine tools, tractors and farm machinery. For instance, the agreement on multilateral specialization and cooperation in the production of metal-cutting machine tools, specialized, heavy and unique machine tools and automated lines also includes mutual deliveries of more than one million components and essential parts. The same principle also governs the general agreement signed at the 36th CEMA conference on organizing a specialized and cooperative production of industrial robots. That agreement as well as other arrangements made at that CEMA conference are going to play an important role in the future development of the trade with machinery and equipment.

The program for the coordination of the 1986/90 economic plans that was ratified at the CEMA conference focuses on making greater use of the opportunities in the international socialist division of labor to accelerate the scientific-technical progress, particularly through deepening production specialization and cooperation in machine building and electronics, and enhance the efficiency of social production.

They signed a general agreement on cooperation in developing microprocessing technology and its broad application in the economies. Like the agreement on robots, it envisages joint R&D and project planning and the organization of specialized volume production and the mutual deliveries of technological aggregates of machinery, equipment and control systems. A multilateral government agreement also was signed on production specialization and cooperation for the manufacture of commodities of the microelectronics base components for computer technology and the materials and technological equipment for microelectronics.

#### Proportion of Specialized Products in the Export of Selected Product Groups

	<u>1975</u>	<u>1980</u>
	in %	
Metal-cutting Machine Tools	25.0	46.4
Forging and Press Equipment	11.2	43.2
Electrical Engineering Equipment	10.6	35.6
Lifting and Transportation Equipment	46.2	61.1
Equipment for the Textile Industry	25.2	53.1
Equipment for the Chemical Industry	25.5	34.0
Telecommunications Equipment	15.3	24.9
Ball Bearings	20.6	87.3
Tractors	39.8	44.5
Farm Machinery	31.9	44.6
Trucks and Garage Equipment	3.4	43.2
Ships and Ship and Port Equipment	81.6	81.3



The Trend in the Metal Processing Industry and the Export of Machinery and Equipment 1980

	CEMA -- of which						
	Countries						
	total	Bulgaria	Hungary	GDR	Poland	Romania	USSR CSSR
	1970=100						
Industry total		206	161	174	207	290	178 174
Machine building and metal-processing industry	251	307	172	193	275	417	254 207
Export of machinery and equipment in mutual trade	352	546	392	294	366	478	350 308
Proportion of machinery exports in mutual trade (%)							
1970	39.7	33.7	45.2	59.8	52.3	28.3	21.8 59.8
1980	41.1	54.3	47.1	64.0	59.9	40.3	23.5 63.2

Mutual Deliveries of Selected Products

	Volume	1980	Proportion of Total Imports in These Goods in %
Metal-cutting machine tools	1000	28.4	64
Energy and electrical engineering equipment	R million	1771	66
Lifting and transportation equipment	R million	1205	82
Equipment for chemical, paper and wood industries	R million	5855	65
Devices, laboratory and medical equipment	R million	1128	60
Tractors and trailers	1000	39.8	96
Freigh cars	1000	6.8	93
Trucks	1000	65.7	97
Cars	1000	319.0	95
Busses	1000	16.5	97
Ships and nautical equipment	R million	922	63

5885

CSO: 2300/136

# REORGANIZATION OF ENTERPRISE MANAGEMENT EXPLAINED

## Enterprise Independence, Plant Democracy

Budapest NEPSZAVA in Hungarian 26 Jan 83 p 8

[Article by Albert Racz, state secretary, chairman of the State Office of Wages and Labor]

[Text] Realization of our economic-policy objectives necessitates greater independence for the enterprises, their increased adaptability to market conditions, and greater effectiveness of their operation. At the same time, the requirements of economic activity and increasing enterprise independence are giving the plant collectives a bigger role in production, in the reconciliation of local interests and in the formation of the living and working conditions. The workers' responsibility has increased in supporting and controlling enterprise management.

In full awareness of these requirements and interrelations, our government has defined the measures that must be introduced to streamline the control and management of enterprises, and—jointly with the SZOT [National Council of Trade Unions] Presidium—it adopted a resolution on the exercise and further development of plant democracy. The simultaneous regulation of these two subject matters is no accident. In the following I will point out the more important interrelations between them.

### Internal Organization and Accounting Must be Understandable to Collective

The transformation of the enterprises' organizational structure has begun in recent years: where economically warranted, the member enterprises of trusts, and the factory units of large enterprises have become independent; the distribution of enterprises by size has changed. According to our assumptions, the modified organizational structure provides conditions more favorable for effective operation, because in this way the economic units feel more directly the economic environment's effects that determine their economic activity. As a result, some of the enterprises that became independent have already started to transform their product structure, and the forms of cooperation between enterprises have become broader.

However, adequate progress is not noticeable in modernizing the enterprises' internal system of management. A large proportion of the enterprises have not accepted so far the difficulties stemming from a rearrangement of their internal division of labor, system of incentives, and division of authority. Yet the economical use of materials, energy conservation, efficient utilization of capital

and sensible manpower management unconditionally require--parallel with enterprise independence--also independence of the subdivisions and a system of incentives for them: functions and responsibilities must be rearranged and decentralized, and separate organizational subdivisions must be formed with their own internal profit and loss accounting.

The enterprises' suitable internal organization is also a prerequisite for the development and meaningful exercise of plant democracy. The workers' active participation in the affairs of their enterprise must be based on suitable incentives. A system of internal organization and profit and loss accounting must be developed that makes the enterprise's operation understandable also to its collective. Authority to make decisions must be defined so as to give the workers a say in management; in other words, decision-making authority and worker participation in management must be in harmony.

Such an internal mechanism stimulates and promotes the development of democracy at the workplace. The decision-making system, system of incentives, and information system functioning within the framework of this internal mechanism provide favorable conditions for internal initiatives and for the workers' meaningful participation in the affairs of the enterprise or factory unit.

Development of the enterprises' internal mechanism is based primarily on enterprise decisions, but it is aided by central measures as well. Among these measures, in conjunction with the development of plant democracy, we should mention particularly the following:

- Development of the activity of the enterprises' boards of supervision;
- Expansion of the authority of the enterprises' management committees; and
- Changes in the practice of selecting and appointing enterprise directors and their deputies.

#### Control and Analysis

The functions of the new type of boards of supervision have been broadened. Their tasks are twofold:

--The boards of supervision have taken over from the supervising organs the tasks of enterprise supervision. Within this they comprehensively control and evaluate the economic activity of their enterprises. By virtue of their composition--suitable experts and specialists are appointed to the boards--they perform many-sided and thorough control and analytical work.

--On the basis of controlling and analyzing the economic activity of their enterprises, the boards have also a policy-making function. On questions that basically determine the operation of their enterprises--for example, enterprise strategy, the concept of the five-year plan, the principles of the internal systems of management, decision-making and incentives--the boards have the right and the duty to voice their opinion and present proposals.

The activity of the boards of supervision will aid the assertion of plant democracy. In the performance of their duties, the boards cannot dispense with the workers' comments and experience, and they must keep the workers suitably informed.

Therefore it is essential that an appropriate working relationship develop between the boards of supervision and the forums of plant democracy. The statutory regulations also provide the conditions for this, by allowing the representative of the board of supervision to attend the forums of plant democracy, with a voice but no vote. This also provides an opportunity for the board of supervision to inform the workers about its principal findings regarding the enterprise's operation.

Since the board of supervision controls and evaluates the entire activity of the enterprise, in the course of its work the board must regularly evaluate also the state of plant democracy at the given enterprise.

#### Improving Quality of Management

Up to now the functions of the enterprises' management committees were to support and advise the top managers and to prepare decisions, but they had no decision-making authority. At present the quality and significance of the management committees' operation differ by enterprises, in accordance with the nature of enterprise management and the degree of plant democracy's development.

In the internal management of the enterprises, the management committees can contribute effectively toward raising the professional level of management and reinforcing the collective nature of the decisions. Therefore the Council of Ministers and SZOT in their joint resolution have decided to increase the role and broaden the authority of the management committees. When establishing the management committee, the founding organ may vest it with decision-making authority in specific matters. It is warranted to give the management committee decision-making authority in matters that determine the strategy of the enterprise. For example: the medium-range and long-range plan of enterprise policy; the direction of technical development; formulation of the subdivisions' systems of management, incentives and accounting; and the setting of the annual plan's principal indicators. Since the management committee's decisions concern the directions of enterprise strategy, it is possible to ensure that these decisions will not affect the director's specific decisions and his personal responsibility.

The management committee plays an important role in the exercise of plant democracy. It provides a forum for the reconciliation of interests within the enterprise. Besides the enterprise's responsible managers, the management committee includes the managers of the separate subdivisions, and even workers. This provides an opportunity to present more clearly the aspirations and interests of the subdivisions. Representatives of social organization--the party, trade-union and KISZ organizations--also may participate in the work of the management committee, with a voice but no vote.

A representative of the management committee may likewise attend the forums of plant democracy, with a voice but no vote. In matters over which the management committee has decision-making authority, it is necessary to take into consideration also the authority of the forums of plant democracy. For example, the limited meeting of trade union members or the committee of shop stewards must be consulted on the annual and five-year plans, and on proposals concerning reorganization and modernization.

## New Management Committees

Budapest NEPSZAVA in Hungarian 26 Jan 83 pp 8, 9

[Article by Janos Vajda]

[Text] Under the former regime, a politician of evil memory once said of himself: "One wise man is sufficient for the country. And I am that man." Such mentality, on the scale of entire society, is ridiculously anachronistic, and it is almost unbelievable that it once was considered a "political program." Even in the lives of smaller collectives, of the economic units and enterprises, the time has become ripe to replace the decisions of a single "wise man" with the "collective wisdom" of experts, at least in matters that go beyond day-to-day decisions and are, shall we say, of a strategic nature. Since the conditions of investment, production and economic activity are linked sensitively to demand and are intricately interwoven, in making decisions today it is necessary to take into consideration not merely one or two, but many different aspects. Therefore, a change in the style of management has become a pressing necessity. The resolution of the Council of Ministers establishing management committees with decision-making authority provides the legal framework for such a change in the style of management.

### Prospects for Better-Substantiated Decisions

The new management committees that will be formed at several enterprises this year will consist of the enterprise's director, his deputies, the managers of the factory units, the heads of the functional departments at the enterprise's headquarters, specialists in research, development or other important fields, and blue-collar workers proposed by the mass organizations. They will be full-fledged members, with a vote. The representatives of the party, trade union and KISZ will have a voice but no vote. (Up to now the composition of the management committees has been similar, but they have functioned merely as advisory organs, without any decision-making authority, and blue-collar workers were not delegated to the committees everywhere.)

Within the enterprise, the new management committee is expected to provide a forum for the interests of the factory units and plants, and to improve the prospects for better-substantiated decisions, through the open confrontation of the technical, financial, marketing and investment considerations. And this presupposes the modernization of the enterprise's system of internal management and system of incentives. For one of the unsolved problems up to now has been that even though the general system of the economy's management was being modernized, the methods of the command-directed economy persisted within the gates, in the organisms of the trusts and enterprises. This killed any initiative, entrepreneurial behavior and independent responsibility on the part of managers, and it converted the previous management committees into rubber-stamping bodies.

It is no accident that now the minutes of the management committee's meetings will not only summarize who said what, but it will also list by name who voted for and against a proposal, and what were the reasons for his standpoint. Thus on the one hand there is a purposeful effort to ensure that the management committees, by virtue of their very composition, will comprise members who are professionally trained, thoroughly informed, skillful in debate and not hesitant



to voice their convictions. On the other hand, it will always be possible to determine who was right when subsequently a decision turns out to have been a bad one.

#### Are Concerns Well-Founded?

The possibility is not excluded, at least in principle, that in the management committee the director might be consistently voted down, and his arguments and views rejected. If this happens too often, doubts could arise as to whether the composition of the management committee is suitable and its members are suitably informed, or whether the top man in the enterprise is qualified for his post. Although the danger that the management committee will consistently vote against the director is hardly a realistic one, it is probable that collective decision-making authority will inspire managers to more meaningful and more demanding work, and will also link their jobs more closely to the collective's recognition. Concern might also arise that everyone on the management committee will support the narrower group interests of his own sphere of activity, against the interests of the enterprise and of the entire collective. (For example, the managers of the factory units and subdivisions will be in a majority on the management committee.) Well, this concern is unfounded, partially because the members of the management committee (each of whom will be representing a different factory unit or enterprise subdivision) will have to contend also with each other's different interests (or views). Furthermore, the interests of the collective in a wider sense will be reinforced by the fact that from now on anything said in the management committee will not be "the voice of one crying in the wilderness." For the management committee will not be merely an advisory body (the advisor never bears direct responsibility). Because of its decision-making authority, it will have to bear responsibility for all consequences of its decisions.

It is an entirely different question that these consequences can be favorable only if the decisions are sound. And sound decisions require the following: thorough information; proposals that take into consideration the foreseeable results, the possible risk, and available (intellectual, technical, financial, etc.) resources; and preparation of the decisions that includes a forecast of the external conditions and lists the available options.

Furthermore, decentralization of the enterprises' internal system of management will also be unavoidable. If the managers of the various subdivisions do not have the necessary authority to make decisions, and the financial and moral incentives and disincentives, if they remain merely executors of instructions, then it is a vain hope to expect independent initiatives and extensive identification with the objectives of the economy and of the large enterprise. Thus "feedback" is indispensable through which the management committee can rely in its work on the collective's experience and momentum. At the same time also the management committee--through its decisions that will be more circumspect and better substantiated than in the past--will be able to mobilize the workers for the realization of the set tasks.

#### Role of Shop Stewards and Trade-Union Committee Secretary

To avoid misunderstandings, the management committee itself cannot be considered a forum of plant democracy. The two blue-collar workers delegated by the trade union will not be representing the consensus of the workers; they will be aiding the work of the management committee merely on the basis of their own



experience and views. But it will be necessary to coordinate the work of the democratic forums and of the new management committee. On many issues, the partner of the committee of shop stewards will be not the director alone, but the management committee. (The secretary of the trade-union committee will attend the meetings of the management committee, where he will have a voice but no vote. Naturally, he will be unable to commit himself in matters that belong before the committee of shop stewards.) In the final outcome we can expect that the changes introduced in 1983 will improve the conditions of plant democracy and will also develop management that will be more decisive, more far-sighted and more entrepreneurial than in the past.

#### New Boards of Supervision

Budapest NEPSZAVA in Hungarian 26 Jan 83 p 8

[Text] As of the beginning of this year, it has become possible to establish boards of supervision of a new type, the task of which is to analyze, control and evaluate the activity of state enterprises, in behalf of the supervising organs and of the enterprises as well. Boards of supervision have been functioning since the economic reform, and in 1978 they were regulated anew. Even though the boards of supervision have played an important role in control, it has become necessary to modernize them because their quality varies by enterprises, their work is mostly in the nature of recordkeeping, and because they have not been doing local audits.

Instead of increasing the number of controlling organizations, the new boards of supervision are taking over a part of the activity of the present supervising organs. The modernization is expected to produce changes in two respects: control will be more comprehensive and more thorough than before; and the boards will be providing guidance for the enterprises. Besides evaluating each year the activity of the enterprise entrusted to its supervision, the board will also be consulted on a number of matters concerning planning, investment, organization and incentives. This will not be merely some observing and recording task. It will also be the duty of the board of supervision to voice its opinion. In other words the board of supervision, without infringing on the authority of the enterprise director, will have the right to submit proposals on various matters that concern the internal life of the enterprise.

The members of the board of supervision (its size and composition will depend on the size of the enterprise and on the economic activity it is engaged in) may be experts employed by ministries, financial institutions or the Hungarian Chamber of Commerce. The industrywide trade union also may delegate a member to the board of supervision, but workers and top officials of the enterprise cannot be on the board of supervision. An employee of another organization in the same branch may be a member of the board of supervision, but only if there is no conflict of interest.

The term of office of the present boards of supervision will expire in 1985 at the latest.

1014  
CSO: 2500/121

## ECONOMIC SYSTEM'S 1983 CHANGES ANALYZED

Budapest PENZUGYI SZEMLE in Hungarian No 1, 1983 pp 3-10

[Article by Dr Peter Medgyessy: "About the Modification of the Regulators"]

[Text] Three questions must be weighed when modifying the economic regulators:

1. It is necessary to rely on the attained economic results, on the conclusions that can be drawn from an analysis of economic development;
2. Regulation must be adapted to the principal objectives of the national economic plan;
3. The internal contradictions that necessarily arise within the system of regulation must be alleviated or, where possible, eliminated.

The 1983 modification of the regulators also was based on these factors. In the following I wish to direct attention primarily on the motives, aspirations and interrelations of the changes, instead of presenting them in detail.

### Evaluation of 1982 Development, Main Objectives of 1983 Plan

On the whole it can be said that the principal objectives of the 1982 plan have been fulfilled. Generation of national income is around the planned lower limit, and domestic spending of national income is around the planned level.

To ensure that domestic spending of national income would develop in accordance with our intentions, a series of additional measures became necessary during the year. In the first months of 1982, investment activity was much greater than desired, especially in the enterprise and cooperative spheres. This required the adoption during the year of financial and economic measures to correct the development of the enterprises' purchasing power. During the first months, personal incomes also showed a trend different from the one intended. This was due in part to a freak of statistics, because the substantial pay increases in late 1981 had delayed effects which were still strongly felt in early 1982. But in part there was also an actual increase in the outflow of purchasing power behind the statistics. Which explains why the consumer price level had to be raised by more than had been planned originally, in order to maintain economic equilibrium. At the same time it was necessary to consider that it would be better to curb, through a higher price, the demand for a product whose foreign-exchange content was high, without affecting its supply, than to keep the prices relatively low and make concessions regarding the level of supply.

It will be remembered that also 1982 was an extremely difficult year in terms of national economic conditions, and this explains to a large extent the supplementary domestic economic measures that were adopted. Contrary to earlier indications, the capitalist world economy's recession continued in 1982. Thus the expected pull for Hungarian export did not materialize, and the external economic situation worsened further. International competition continued to intensify; the competition that Hungarian goods encountered from developing countries played a significant role in this; and we were not always able to take advantage of the coordinating and other possibilities inherent in socialist international economic integration. In addition to these developments, from the beginning of the year there was a virtual embargo on credits to socialist countries, and the "variable" portion of the interest on the credits obtained earlier assumed astronomical proportions. These pressing external circumstances compelled the Hungarian economy to aim for a perceptible trade surplus, instead of a balance of trade essentially in equilibrium as had been planned originally. Final figures for 1982 are not yet available, but it is already evident that we can expect a trade surplus of several hundred million dollars.

The desirable processes in the effectiveness of economic activity were slow to start. The improvement of effectiveness was already a real resource, but its extent was not yet satisfactory.

In sum it can be established that we were able to attain the objectives of the 1982 national economic plan only through exceptional additional efforts. Maintenance of our solvency and the preservation of our reputation in international economic and financial circles must be regarded not only as an economic success but also as a political one. However, the requirements regarding the functioning of the economy are rising sharply, and are changing so rapidly that it is extremely difficult to meet them. The trouble, then, stems not from the fact that the performance of our economy has not improved and that we are not adapting to the conditions, but from changes more demanding than what can be fulfilled without major problems. For example, in the late 1970's Hungary's balance of trade denominated in convertible currency showed a net deficit exceeding 1.0 billion dollars, but in 1983 we need a surplus of at least 700 to 800 million dollars. Thus in 4 or 5 years our balance-of-trade position had to be improved by 2.0 billion dollars. This task would have been an enormous burden even for an economy far richer than ours and with more reserves than what we have. Such an improvement of the balance of trade is a great success especially when we have been able to maintain good domestic supply in terms of quantity, and basically also in terms of quality. Many countries have been able to score similar successes only at the expense of their populations' supply. The fact that we have been able to economically substantiate the 1983 plan, and can hope to achieve the trade surplus we are aiming for, means that the Hungarian economy and Hungarian society are adapting to the new requirements and will be able to cope with their exceptional tasks, although this will require exceptional effort.

An essential requirement of the 1983 national economic plan is to make the trend of a trade surplus permanent and to increase its amount. The plan had to take the following assumptions into consideration:

- That the recession in the capitalist world economy would continue in 1983;
- That international economic competition would intensify further;
- That international borrowing would not become easier than in recent years;

--That imports of energy sources and raw materials from the socialist countries, as an additional factor of economic growth, could be expected only up to the quotas specified in the plan;

--That in trade with the socialist countries the terms of trade would continue to worsen, due to the fact that the lasting trends of the capitalist world economy assert themselves in trade among socialist countries only gradually and with a certain delay.

Besides the aforementioned factors, also the characteristics of our economic structure are making development more difficult. Faster economic growth has a high import intensity and declining effectiveness, and occasionally also marketing is difficult because of the situation in international markets. According to the 6th Five-Year Plan, reduction of our hard-currency debt was to have started in 1985. Instead, we have been forced to begin this process in 1982 and 1983.

Fast results can be expected from the curtailment of domestic spending. Some of these results are lasting, but others are difficult to repeat or require recurring assistance. Truly lasting results can be expected from an increase of the income that the economy generates, from a rise in effectiveness, and from a reduction of costs. As of 1983, the curtailment of domestic spending will affect not only accumulation. The reasons for this are twofold. First, it is no longer possible to attain results only in the area of accumulation, because the bulk of spending is in the area of consumption. Leaving consumption unaffected, therefore, would render impossible the attainment of the desirable trade surplus and in the final outcome would jeopardize the economy's ability to function. Secondly, it would not be reasonable to cut domestic spending only in the area of accumulation, because our responsibility to future generations demands a certain amount of investment activity also now, because the absence of these investments would hamper production in the coming years and our future economic development.

The national economic plan had to start out from this basic situation when it formulated the means and methods that would aid the realization of its objectives, and when it perfected economic management and the system of economic regulation.

#### Some Basic Principles of Perfecting Economic Management in 1983

a. From the preceding it follows that the instruments of economic stimulation and pressure must be employed jointly, and that it is not possible to relax the strictness of economic management. Management could also be called the art of achieving a certain harmony between compulsion and stimulation. In the early 1970's, we overestimated the importance of stimulation. Without real economic pressure, stimulation alone is unable to produce results. In the final outcome, too many partial objectives can divert from the realization of stimulation's fundamental objectives (the maximization of value added and of net foreign-exchange earnings). Excessive stimulation can become a source of higher prices. To offset this, lately we have been relying to a greater extent on the methods of economic pressure and compulsion. But in themselves these methods, too, are unable to produce results; and if their effects are excessive, this could lead to a gradual dismantling of the economy. Hence, suitable harmony between stimulation and economic pressure is a question of fundamental importance.



b. Curtailment of national income's domestic spending is not enough but, unfortunately, is unavoidable. Although the economy generates less additional export in this manner, curtailment of the growth of import combined with the former factor will improve the balance of trade, over a certain period.

A basic position is to increase the economy's income-generating ability, and to use measures selectively to this end. Development policy has essential priorities, and their objectives are the formation of export allocations that are competitive on foreign markets, energy conservation, the better utilization of re-processed materials and scrap, and import substitution. In the series of measures these objective remained perceptibly preferential, and their relative position has even improved. It is obvious that if the measures do not apply at all to these objectives amidst the general deceleration and constriction, they automatically assume special importance. Despite the 10-percent decline in the volume of investment, the allocations for these objectives have not been reduced, and the expansion of the construction tax and the investment tax do not apply to these areas. In general we have consistently increased the selectivity of economic management. This is reflected also in our efforts to maintain, and perhaps even to improve, the position of the good economic units.

c. We must anticipate that there will be continued need for operational management. This is warranted by the exceptional tasks. However, we are striving to limit the sphere of operational intervention, and to combine it with such indirect methods that later, parallel with the realization of our objectives, will enable us to abandon the operational instruments (such an indirect method, for example, is the relationship between certain elements of import regulation and the present practice of an active exchange-rate policy).

d. Great emphasis must be placed on economization, and this strict rule applies to the sphere of enterprises and budgetary institutions, and to the population as well. At the same time, economic management intends to devote close attention to ensuring that common sense prevails in economization, and that no contradictions arise between short-term interests and long-range requirements. In this way we will avoid being penny-wise and pound-foolish.

e. We are striving to avoid having to change the regulators during the year. The past practice of such changes met with wide and deserved criticism. Realization of these efforts is necessary to provide the necessary stability for forecasting development and for the formation of the conditions. We must refrain especially from optimistic estimates of the demand in foreign markets, because this could lead to decisions regarding the allocation of also uncertain earnings within the plan and the system of regulation. Therefore anyone who demands stability must accept also the hardness of the requirements, the efforts to attain security also in this sense. Naturally, changes in some elements of regulation are unavoidable even under normal conditions. Essential in such cases is the predictability of economic management's behavior. Obviously, prices, exchange rates and interest rates are economic categories that can flexibly change even during the year. On the other hand, striving for stability cannot mean that we leave everything the way it is even when the conditions change. There could be unforeseen circumstances in the world economy, or even in the domestic economy, for which we are unable to prepare ourselves at present. In the mid-1970's we paid a heavy price for overemphasizing stability. We cannot repeat this now, already because the economy does not have reserves that would enable it to wait with the necessary

changes. Such behavior results only in delays and losses. It does not solve the problem and even aggravates it.

f. A basic aspiration in modifying the system of management is not to jeopardize the results and achievements with the new measures. For example, the purpose of restricting purchasing power on the investment market is not to stop the projects already started, but to keep the enterprises from starting new investment projects, or to let them undertake only investment projects that have an exceptionally short payoff period or are very profitable and effective. In the enterprise sphere, and also in the institutional sphere, we will strive to preserve the national assets created by hard work, and we will see also to their maintenance and renewal. Neglecting these tasks could prove very costly for society in the medium and the long term and could jeopardize the preservation and care of our national wealth. We will preserve the results attained in state and enterprise social policy, with special attention to the situation of families with children, and of retired persons receiving small pensions. At the same time, we will be charging more realistic prices for the services of certain institutions, but this will only enhance public appreciation of such services. We will be devoting due attention also to maintaining the level of the supply of goods and services (also because this is one of the basic conditions for stimulating the economy).

#### More Important Factors in the Modification of the Regulators

We strived to strictly apply the above principles also to the specific changes in the system of regulation. The changes can be classified into three groups:

--Changes of a constructional nature that strive to resolve the internal contradictions in the system of regulation and fit well into this system's further development;

--Measures constricting purchasing power;

--Changes that enhance the restoration of external economic equilibrium or dismantle the factors that up to now have hampered the restoration of equilibrium.

#### a. Constructional Changes

Within this topic we should point out the correction of wage and income regulation, the most controversial element of the system of regulation. Especially the base approach of regulation has been much criticized, the fact that it has been incremental and has encouraged keeping results and performances senselessly in reserve. Another criticized element of the regulations has been the limited possibility of conversion between wages and profit sharing.

Despite the relatively limited opportunity to raise nominal wages, significant changes are being made in the most severely criticized elements. The base approach in wage regulation will be sharply reduced; instead of the preferential opportunities to raise wages linked to the indicator's increase, raises will depend basically on the level of profitability. The system is providing a more direct possibility of conversion between the profit-sharing fund and wage increases. This is sound even if it is obvious that today wage increases provide a much greater incentive than profit sharing does. The stimulation of personnel



cuts will become more reasonable because the new system provides incentives for a reduction of personnel even beyond the 3-percent limit that applied up to now.

The task to be solved is <sup>to</sup> create closer harmony between performances and incomes, and to allow the outflow of only as much wages as is in accord with the work performed and with the economy's possibilities. We should avoid the need to correct with subsequent instruments any rise in wages that is not suitably substantiated.

A matter of fundamental importance is that the enterprises, under the given system of wage regulation, utilize more extensively than heretofore the opportunity to differentiate wages within the enterprise, in accordance with performance. The argument that the lower outflow of nominal wages does not permit wage differentiation within the enterprise is not a valid one, because the enterprises did not avail themselves sufficiently of this opportunity even in years past when the outflow of nominal wages was greater. Yet the fundamental question of effective wage regulation depends on wage differentiation within the enterprise. At the same time the changes introduced in 1983 are unquestionably only one step in the series of measures that eventually will suitably solve the system of wage regulation under the conditions of socialism.

We wish to make the redistribution of developmental resources among enterprises easier than in the past.

We have no illusions in this respect, for it is a known fact that the many conflicting interests still persist, and that the shortage of capital is continuing to limit its redistribution. We nevertheless feel that at least the obstacles to such redistribution should be abolished. If capital starts to flow between enterprises only in a few instances, this could serve as a good example and trigger a further process. The dismantling of the obstructing factors means, for example, that the parties concerned may agree without any administrative restrictions on the amount of interest on temporarily lent capital. When developmental resources are transferred permanently, the parties concerned may agree on a share of the profit; in a departure from the present system, capital after its transfer will be depreciated at its new location, and the financial resources necessary for its replacement will be formed there.

We wish to make the institution of contributing capital possible on a wider scale for enterprises as well as banks. The new element here is that the banks may act as entrepreneurs. But a prerequisite for this is that the banks must have a risk fund of their own, and suitable financial incentives in this area. We will make the floating of bonds possible on a wider scale than up to now.

In addition to the government bonds (for financing the budgetary deficit) and experimental public utility bonds, we will expand the local councils' authority to issue bonds, and we will include also enterprises and financial institutions among the issuers. For the banks the bonds will provide the financial framework of contributing capital. We believe that these new forms will provide more varied possibilities and will dismantle the still existing unnecessary restrictions and obstacles to the flow of capital between enterprises. Such forms of capital redistribution are important also because the economy has less and less additional resources at its disposal. Therefore we must promote the sensible distribution (or redistribution), through economic instruments, of the resources that are

available. We would like to see capital flow from the less efficient enterprises to the more efficient ones. In harmony with this, we intend to tighten the regulations and practice regarding the economic and financial treatment of enterprises whose efficiency is low. The essence of these provisions is that such enterprises will be given a period of grace to adjust to the new, stricter requirements; but if they show no improvement, the state as owner will exercise more extensively than in the past its right to withdraw and redistribute its capital.

Regarding the balance of the reserve funds formed prior to 1980, we are revising the regulations that are obstructing a clear overview of the purchasing power on the investment market. By writing off the balance that exists at the time of preparing the financial statements for 1982, we wish to create a clearer situation, enabling also economic management to plan the purchasing power on the investment market more unambiguously and reliably.

The regulations governing the technical development fund also are changing. The enterprises will have more independence, because mandatory allocations to the technical development fund have been limited to a relatively narrow circle. We are convinced that the pressure of the stricter conditions will induce the enterprises, in their own best interest, to devote more attention to technical development than up to now, in the areas where technical development is warranted, and especially to using the results of technical development in production.

#### b. Constriction of Purchasing Power

These measures, too, will be implemented selectively. We are raising the social security contribution by 3 percentage points. Among the reasons for this increase, we wish to avoid a further rise of the need to subsidize the management of social security. In the financial management of the enterprises we believe that it is warranted to make wages more expensive, and it appears that by this method we can avoid a further increase of the profit tax, which would have further reduced the intensity of the economic incentives.

For the development funds we are prescribing a one-time transfer of revenue which again will be implemented selectively. Thus transfers of less than 7 percent will apply to transport and communications, housing construction, and farms operating under adverse natural conditions. Specifically in the spirit of differentiation, a proportion of the transfers will be redistributed to the credit sphere to aid the realization of the selective developmental objectives mentioned earlier, and to provide incentives for all those who are willing to undertake, even under the difficult conditions, the realization of objectives given priority by economic policy.

We are reducing the depreciation rates applicable to buildings. The effect of this reduction will be the curtailment of purchasing power, but the reduction will meet the requirements of selectivity in the sense that the most efficient economic units will not be the ones hardest hit. Certain agricultural subsidies are being reduced or abolished. The various types of state aid for investment are being reduced. In general it can be said that the state will be showing great restraint also in its own investment, in accordance with the general efforts. The progression of the tax on the profit-sharing fund will increase, in harmony with the reduced possibilities for raising nominal wages, and with the requirements of the reliable regulation of purchasing power.

### c. Relaxation of Certain Restrictive Measures

Under the system of competitive pricing, exemptions from the requirement to reduce domestic prices when foreign prices decline have been granted up to now only when strict volume requirements have been met. As of 1983, these volume requirements are being better adapted to the real conditions on foreign markets. The volume requirement is being abolished entirely when exports exceed 35 percent of total sales.

Since the general level of interest rates is high, the various preferential interest rates in the future will serve increasingly to restore external economic equilibrium.

Wage policy and the system of wage preferences are being geared more closely to the requirements of improving external economic equilibrium. More funds are being allotted for this purpose than in the past, but at the same time the requirement of effectiveness will be asserted more strictly, and larger undertakings will be given more preference.

The restrictions that existed earlier in import regulation, and which we have reported also to GATT in compliance with our contractual obligations, will still be retained in 1983. But at the same time we will see to it that import suitably aids the attainment of a trade surplus, and that it provides the necessary foresight and security in the operations of the enterprises, within the limits of the existing possibilities.

Among the three important factors of exchange-rate policy--stimulation of structural change, the fight against inflation, and the restoration of external economic equilibrium--the requirements of restoring external economic equilibrium must obviously have preference in the coming period. Exchange-rate policy reflected this course already last year, and this is the course it will pursue in the future as well.

As can be seen also from this general overview, the system of regulation for 1983 contains quite a few changes of considerable significance. Very important is how the economic sphere will react to these changes. Economic management hopes that the enterprises will respond to this world challenge not by turning inward and with apathy, but by increasing their ability to act, with greater flexibility and bolder initiative, by concluding good deals and by economizing sensibly. They must not reconcile themselves to the fact that static estimates show a decline of their profits, because we expect them to offset the impact of the measures by working more effectively. For in itself the fact that the enterprises' income exceeds their planned income is not objectionable; it becomes objectionable only when there is no additional performance to earn the additional income. Enterprise management should give even more room than at present to initiative within the enterprises. It is in our common interest that the enterprises in their internal decision-making system, in developing their so-called internal mechanism, support entrepreneurial initiatives and behavior that shows and demands stricter discipline.

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## CHIEF OF BABOLNA AGRICULTURAL PRODUCTION SYSTEM OPTIMISTIC

Budapest MAGYAR HIRLAP in Hungarian 2 Feb 83 p 7

[Article by Ivan Gador: "On Warm Soil"]

[Text] What a winter! Neither snow nor frost, only wind, occasionally rain, and sunshine with warm temperatures. Even the oldest meteorologists do not recall anything similar. But what about the agronomists? There is no snow cover over the winter crops. What will happen if it begins to freeze? The wheat fields are like lawns. Who ever saw anything like this in January? What will be the outcome? Another bumper crop? Or perhaps complete disaster?

I sought an answer from one of the most competent experts, Janos Toth, the director of the Babolna Industry-Type Corn Production System. Contrary to its name, this joint enterprise is not concerned solely with growing corn. It is organizing also the production of wheat, on 220,000 hectares, the same acreage as that of corn. Thus he has an overview of what the 240 partner farms are doing, on 18 to 20 percent of the country's total wheat acreage. Well, what will this weather lead to?

## Nutrients Must Be Replenished

Janos Toth began by disclaiming that he was a fortune teller. But in his opinion as an agronomist, there was no cause whatsoever for concern. On most of the acreage, the winter crops were doing nicely. On many farms the wheat was already tillering. The weather in recent weeks could not have been better. Warm by day, and frosts of  $-2$  to  $-3^{\circ}\text{C}$  at night. The wheat was becoming hardened and would be resistant to possible more severe, dry frosts later.

In other words, everything was in the best possible order. Autumn work had been practically faultless, soil preparation was good and the seed excellent, at least on about half of the 220,000 hectares. Autumn work on 30 percent more of the acreage had been good to medium, and very poor on only the remaining 20 percent. The weather had been bad in Vas and Zala Megyes last fall, and the seed had been drilled into wet and trampled soil. Not even the warm winter was able to compensate for this. But the weather helped the wheat on most of the average acreage. Thus 65 to 70 percent of the cereals could now be termed good, and perhaps 10 percent remained average. This was a promising picture.

It was regrettable that last fall, due to the fertilizer shortage, a proportion of the crop acreage had not received the necessary amount of nutrients. Although



both the production system and the farms had done everything possible to place the proper amount of manufactured fertilizer in the soil together with the seed. They had shipped fertilizer across megye lines and had borrowed the fertilizer that had been prepared for the cornfields. Because on the cornfields the missing fertilizer could be placed in spring, although this was not as effective as autumn placement. According to the data available to the production system, the backlog in the basic treatment of the cornfields with fertilizer was 36,000 hectares. This amounted to 15 percent of the total corn acreage and was too much.

But the same thing had happened before. In 1979, for example, when some of the farms had lacked the cash to buy enough fertilizer. But at that time the farms had made up for the entire backlog the following spring. It was absolutely essential for the farms to do the same thing this year. The more so because last year's bumper crop--7.9 tons per hectare on average for the production system--had drained the nutrients from the soil. According to their estimates, a total of 100 to 120 kilograms of NKP had to be restored. In other words, spreading at least 100 kilograms would be warranted, over and above the regular dose of 450 kilograms of active ingredient. This applied, of course, if the farms wanted to approximate last year's crop. In view of the fact that this year's national economic plan called for an increase of 1 to 2 percent in farm production, this intention of the farms could not be in doubt for even one minute.

#### A Compromise Necessary?

But there were those who questioned that increased use of fertilizer was necessary for another bumper crop. They claimed that most of the soils had been replenished and that there were ample reserves of nutrients in them. Therefore it would not be a disaster if for once, this year, the grains would not be treated with optimal doses of fertilizer. What the harvest would be like depended on very many factors.

Janos Toth sadly shook his head when I mentioned this to him. We were past the age, he said, when we had been praying for a good harvest. Farmers knew increasingly what they were doing. And they knew even better what should have been done. The most important would be to reduce to a minimum the fluctuations in crop yields, the detrimental effects of bad weather. This was feasible only if the best possible conditions were maintained for the crops throughout their entire vegetation period. And the most important of these conditions was to ensure that the nutrients corresponding to the plants' biological requirements were always present in the soil, in accessible form.

Of course, a good crop could be harvested one year even without this. But by the end of the plan period, on essentially the same acreage as this year, we would have to grow 15.5 million metric tons of grain. Last year's bumper crop meant exceeding the magic 14-million-ton limit. A further improvement in the grain harvest was feasible only if the majority of the farms did not tolerate, and were not compelled to resort to, any laxity in grain production. Besides a full supply of nutrients, this required keeping the grain fields free of weeds and reducing to a minimum the losses caused by fungi, insects and field mice. In other words, treatment with the proper doses of various plant protectants at the right time was indispensable. This required machinery, large capacity machines that were modern in every respect, and uniform machine systems. These requirements were formulated in the program for intensive grain production.

It was of course an entirely different question that both the world economy and the Hungarian economy had been in better equilibrium at the time when the program had been drafted. No one could doubt that maintenance of the country's solvency had absolute priority over all other programs and objectives. Now and for some time to come, the state of the balance of payments at any given time might compel temporary curtailment or delay of imports. We could stretch only as far as our cash allowed. In other words, fulfillment of the program might be impaired or delayed in the given case, and the necessity of maintaining equilibrium could even compel us to make compromises. And it was demanding first of all material-, energy- and cost-efficient management. There was much to be done in this respect also in agriculture.

#### Available Reserves

The following are some examples of reserves from the vast experience of the production system's director. Most corn drills today are able to place the fertilizer next to the seed during planting. The experience of the large-scale farms proves that this method of placement can save 50 kilograms of fertilizer per hectare while attaining the same corn yield. Multiply this by the 220,000 hectares of the production system's corn acreage! And yet the method is not spreading, because some agronomists do not believe it is good. And they refuse to believe, because working in this way would mean that the drills have to be loaded with fertilizer each morning, and cleaned at the end of each day, so that the fertilizer does not cake in the machines. This unquestionably involves much additional work, but it certainly would be worth the extra effort.

And it certainly would be worth while to retrofit each of the many thousands of MTZ [Minsk Tractor Plant] tractors in the country with the provenly efficient turbochargers. The performance of these tractors would increase, and they could be used for many chores which at present can be done only with more expensive high-capacity tractors. Such a modified tractor represents savings of foreign exchange equal to several million forints. Just keep on multiplying!

And there are more examples. Many of the grain dryers are not suitably insulated. The cost of additional insulation could be recovered from the energy savings in a single season. And if the dryers were equipped with the proven recirculation system, energy consumption could be reduced by 15 to 20 percent. Both types of investment could be financed through energy-conservation credits. And still this is not being done, except by the best and most far-sighted farms. I do not even dare to write down the numbers to be multiplied. Moreover, in this way it would be possible to save heating oil, in which the economy's shortage is perhaps the greatest. This much will probably suffice to give you an inkling.

The more so because anyone who contends that the utilization of the existing reserves will be sufficient to ensure fulfillment of the grain program, which is essential to improve our balance of trade and balance of payments, is creating an illusion. According to Janos Toth, experts unanimously agree that the conditions of grain production will have to be maintained at least at the present level. Because without this even the outstanding expert knowledge, the most conscientious economization and the most wonderful weather will be worth nothing.



# CALL FOR PERSONAL INCOME TAX ADMITS CORRUPTION

Budapest FIGYELO in Hungarian 27 Jan 83 p 5

/Article by Otto Lukacs: Personal Incomes, Visible and Invisible"/

/Text/ We know only a part of the incomes of the Hungarian family. We have exact data on incomes deriving from state and cooperative sectors, and we are also relatively familiar with earnings derived from the legal auxiliary economy (Incomes from household farms and artisan industry, for example, belong to the latter.) However, individuals or individual households may also have significant additional earnings which the various kinds of data collections are not able to get at. These incomes may derive from money transfers in the population, from wrongful dealings with social property, and from property obtained long ago.

Since according to my estimates almost one-fourth of the population's total income is from unregistered earnings, the actual income distribution differs to a great extent from what is assumed on the basis of centrally accounted incomes. Since I myself regard a considerably stronger differentiation in earnings as urgent in the socialist sector, I regard a levelling as justified in incomes. Therefore, I support Sandor Kopatsy's proposal for introducing a personal income tax.

## Without Declaration

An income declaration that is obligatory on everyone is the precondition for our being able to detect illegal incomes. Today no one in Hungary is obliged to report his total income, and thus this cannot be compared at all with the wealth that is being accumulated. Even private retailers and artisans need not report total incomes but only the earnings, acquired by means of the licensed activity, that is, despite the many and partly superfluous rules it is impossible to verify the sources of their wealth.

And as we shall see, a great part of the incomes which cannot be centrally reviewed does not derive from the auxiliary economy. Therefore, a listing of the various income sources is important because it shows that we do not have to fear that small businesses will distort harmonious income ratios. In fact, the contract store managers earn less than the business operator (gebines) did formerly since he must pay a fixed charge to the enterprise.

In distribution and magnitude the most important unregistered incomes may be grouped as follows: tips, fusi (work on one's own account with the firm's materials), gratuity, bribe, tax and tariff evasion, corruption, inappropriate use of social property for private gain, fraud, embezzlement, usury, theft, misappropriation (eltulajdonitas), weight deception, overcharging, price hiking, receiving stolen goods, inheritance and gift--which may also be reckoned as wealth mobility, but counts as personal income in the given year; lot and real estate speculation or value raising, income deriving from wealth, for example, interest and other machinations.

Most of the above-listed sources of income do not require further explanation, and it might also be possible to make different groupings. For example, a gratuity is frequently difficult to distinguish from a bribe, which is a form of corruption. I have put corruption into a separate category because of its greater amount and greater social danger. By inappropriate use of social property for private gain is meant essentially that with state or cooperative means some one, many times during working hours, performs delivery, production, trade or service. A typical example of this is unauthorized loads (fekete fuvar).

#### Only Neglect of Duty?

Corruption is the most difficult to uncover and belongs among provable crimes. It is the common interest of the participants to keep mum. And still, I believe that in Hungary the appropriate anticorruption statutes are lacking, in addition to the fact that everyone is not required to report total incomes. Appropriate statutory provisions, for example, have been passed in Great Britain which are called the 1889-1916 laws for the prevention of corruption. Their essence is that corruption is proven if an official has done someone a favor without having the right to do so. Further proof is not necessary. The usual procedures for producing evidence can achieve the goal only extremely rarely, for it is almost impossible to prove what one man said to another, or when he turned over money or a coded (jeliges) bank passbook.

How could it have happened, for example, that buildings were erected at the Balaton where this had been banned by a 1972 resolution of the Council of Ministers. As a matter of fact, every enterprise proprietor had a valid permit which had been issued by some official. Thus the officials were given disciplinary punishment for neglect of duty. That which is called neglect of duty by Hungarian law is corruption according to the laws of Great Britain, the FRG, and other countries. This affair also sheds light on the importance of distinguishing among organizations which act in an official and a business capacity, for an anticorruption law like this can be used for the most part only in official cases. This is the actual cause of most cases involving "neglect of duty."

It requires an explanation why I have differentiated between theft and misappropriation. Misappropriation represents a continuous process of stealing, where the loss on any one occasion is relatively small. For example, if someone misappropriates only several hundred forints' worth of property daily--bricks, cement, nutriment, gasoline, fertilizer, consumer items, and so

forth--this may amount to several hundred thousands (or more) in one year, but when the arrest occurs it may be possible to prove only several hundred forints, and thus this is considered only a rules infraction (szabalyseretes). Similarly, losses to consumers may come to only 1 to 2 forints a minute, but within one year this may come to a half million by one person. In both cases, the income is large and the risk very tiny!

In several sub-branches, we have succeeded by means of representative data collections and other statistical methods to establish the minimal magnitude of incomes deriving from the above sources. In sub-branches employing 17 percent of the total employees, the unregistered income came to 27 billion forints, although we did not investigate, among other things corruption, tax evasion and speculation.

#### Role of the Income Tax

If we assume that in the other sub-branches the unregistered income is only half as much per worker, we arrive at a total of 100 billion forints. This amounts to one-fifth of total personal income and one-third of income from work. According to my estimates, of the 100 billion forints in 1980 about one-third was at the cost of trade within the population and two-thirds at the cost of social property. (The latter is calculated by investments, costs, and so forth.) According to calculations made with the help of mathematical models, the spread in unregistered income is very great among individuals.

Obligatory income reporting and income taxation would be useful not only for uncovering illegal incomes and reducing excessive differentiation, but would also be essential for the reform of wage regulation.

Clearly, the introduction and operation of an income tax system is not a simple and inexpensive task. Still, with the exception of several socialist countries, such a tax exists among the world's industrially developed countries. In case of economic management development, manpower and means can be transferred into the tax apparatus, although of course this is not only a matter of personnel but also of expertise and experience.

I would imagine that at the beginning we would divide income tax reports into three categories: those deriving from the socialist sector, from the auxiliary sector, and other kinds. The first two would be taxed according to the present rules, and only the third would be taxed progressively. It may be argued that people will not report their other incomes. In this case, however, the wealth that is being formed will not be in ratio with the reported income, which means tax evasion that is penalized heavily.

It is not easy to develop a good tax system and to have it accepted by the public. But it is time to begin this task.

## PLANNING OFFICIAL REVIEWS 1983-1985 DRAFT

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[PAP reporter Janusz Kotarski interview with Wladyslaw Jablonski, first deputy chairman of the Council of Ministers' Planning Commission: "Work on the Draft Plan for 1983-85"--date and place not given]

[Text] [Question] How far advanced is the work on the draft plan and how quickly is it proceeding? We recall that the Sejm selected the second alternative of the national socioeconomic plan concept. This alternative is also the subject of the work being undertaken by the planning commission, during which amendments made and opinions given during the Sejm debate on the plan are also being considered....

[Answer] At the first meeting of the enlarged planning commission presidium in January, the chief tasks in the final phase of preparing the documents of the plan were set. A subsequent meeting was devoted to examining proposals on how to solve detailed economic and social problems. Some of these may require separate government and Sejm decisions. Right now these problems are being analyzed in terms of their social and economic priority in the national budget, and the conditions governing them are also being examined.

[Question] Is it already possible to establish a list of chief planning problems, for example, according to degrees of difficulty?

[Answer] The most serious problem facing the planners results from the fact that last year's economic results turned out to be different from the results foreseen when the plan's alternatives were worked out.

Production in the processing industry would be somewhat higher. We did not have an abundant crop of potatoes. The planned tempo in the growth of the population's nominal income was exceeded. It is worth remembering here that one of the fundamental tasks adopted last year was to bridge the gap between incomes and expenditures more quickly. This was to be achieved by adjusting prices, increasing production and increasing the supply of goods to the market.

According to the main statistical office's preliminary appraisal, people's incomes throughout the country last year were higher than expected, while



supplies of goods to the market increased to a smaller degree and only in the last months. Therefore, it will be necessary to work out a program of extra anti-inflation measures. Such a program is already being prepared. This program assumes above all that the growth in earnings will be brought more quickly in line with the growth in production and work efficiency than up to now. For this purpose, we have to make systematic use of all the modified mechanisms of reform. These mechanisms are helping to eliminate wage increases which are not actually covered by an increase in production. They should also rule out wage increases caused mainly by higher prices of products.

Expenditure on so-called collective consumption must also be planned more economically. Let me put it in another, simpler way. The Council of Ministers believes above all that increasing the supply of market goods--industrial and agricultural ones--will create chances for the national socio-economic plan to be implemented according to the alternative selected by the Sejm.

Another basic issue is the division of the national income. We recall that the Sejm approved the adoption of a subalternative called "protecting consumption" and also approved the level and structure of investment outlays proposed in the second alternative. However, one ought to remember that we must continue to gradually settle our debts this year. What this means in practice is that part of the national income produced must be put aside to repay our debts. In order to guarantee that the "protecting consumption" requirement is met, the amount of national income available for distribution must continue to be low. This means it is essential to sharply curb investments.

The resolutions of the party's Ninth Congress and the decisions made during the joint PZPR Central Committee and ZSL Supreme Committee Plenary Sessions will make it obligatory to allocate about a 30-percent outlay on food and about 30 percent on housing. Thus, only 40 percent of the funds available for investment outlay remains for other sectors of the economy.

We can say that the total level of investments for 1983-85 will be up to Zl,100 billion per annum. From this sum, around Z600-650 billion will be allocated for the abovementioned priorities, and Z420-450 billion will remain for other investments. This still leaves a small reserve.

However, there is a risk with such a level of investments that fixed assets will depreciate, for in many sectors investment resources are not only insufficient to guarantee more fixed assets essential for developing production, but they are in many cases also not enough to replace machinery and equipment.

This danger can be alleviated above all by correctly selecting sectors where investments ought to be made and by sharpening discipline concerning financial and organizational matters. The plan foresees the adoption of appropriate disciplinary measures.

The next problem in the current planning work is to establish how to stimulate agricultural development and how to strengthen the economic ties between rural and urban areas.

Among other things, the production and procurement of grain will be of decisive importance for the entire 3-year plan. If the unfavorable trends which have recently been present in this sector continue, it will be impossible to implement the plan in accordance with the assumptions. So besides restructuring industrial production, which will make better supplies to agriculture possible, it is necessary to plan and introduce an appropriate financial policy which would stimulate agricultural production and help rebuild the system of contracting deliveries of farm produce. This contracting system should guarantee the interests of both sides; it should guarantee a reasonable increase in the supply of production resources from the state for agriculture and an increase in the supply of crops from farmers.

More detailed solutions are also being prepared which should halt the drop in the number of cattle and hogs and then help reestablish their numbers. Nevertheless, one must count on the fact that any increase in the supply of food cannot be large. That is why the chief burden of restoring equilibrium to the market will rest on industrial products. Supplies of these must increase to a tangible extent.

[Question] What you have said, Comrade Minister, indicates that the conditions for shaping the plan are not too favorable. But are there no reserves and possibilities in the economy whose use would enable us to plan with greater optimism?

[Answer] In our planning work we are constantly seeking ways of increasing the rate of production and the growth rate of the national income more quickly than was originally assumed. Our main reserves lie in making management and production more efficient and economizing on the use of raw and other materials. We are working out a comprehensive program of this economization, which will form an integral part of the national socioeconomic plan. This program is essential in order to implement the basic assumptions of the plan, which say that at least half the growth in production which we are planning must be achieved by cutting down on the use of raw and other materials and energy. In addition, we wish to create economic stimuli to decrease material and energy consumption. It will also be necessary to apply firm sanctions against waste.

[Question] When can we expect the planning work to end?

[Answer] A concluding session of the enlarged planning commission presidium is expected in the second half of February. The draft document will be examined then. It will be presented before the Council of Ministers for discussion, and then before the Sejm.

CSO: 2600/399



## RAILROAD SYSTEM DEVELOPMENT OUTLINED

## Railroad Electrification Projects

Warsaw SYGNALY in Polish 19 Jan 83 pp 1, 2

[Article: "The Electrification Finish Line"]

[Text] At the end of last year, in December, work on the electrification of Polish State Railroads came to a successful conclusion. Altogether, more than 110 km of newly electrified lines were put into service during this period throughout the rail system. This meant that the electrification plan target for 1982, amounting to 320 km, was fulfilled. The 1983 plan calls for the electrification of 406 km of railroad tracks.

Considerable progress was made in the electrification of the Wroclaw-Zielona Gora line, representing one section of the future Wroclaw-Szczecin-Swinoujscie electrified main line. Sections running from Wroclaw to Brzeg Dolny and from there to Scinawa were electrified previously. This line was recently extended by the addition of a third electrified section running to Glogow, or more accurately to Wroblin Glogowski, the next stop after the Glogow station. Plans for this year call for putting a fourth section of electrified track into service--running to Czerwiesk in Zielona Gora Voivodship.

The first electric train along the Scinawa-Glogow section made its first run on 23 December 1982, and this line was officially opened for service during the final days of December. The opening of this section has made it possible for this modernized line to be serviced by electric trains consisting of 11 sets of local-service trains, 2 long-distance passenger trains, and 18 freight trains.

Local trains have already started their "electric" service. The full impact of this new service will be felt in May 1983 when all of the current capacities of the new Polish State Railroads service will come into play along the line running from Wroclaw to Glogow. By then the travel time from Wroclaw to Glogow will have been cut by 40 minutes. At that time, some freight trains will be rerouted from this overburdened line to Poznan. The electrification of this section means that 15 diesel and steam locomotives will no longer be traveling this route. This will produce annual savings of approximately 10,000 tons of diesel fuel and 1,500 tons of locomotive coal.

The Scinawa-Glogow section which was electrified in December 1982 runs for 48 km and is the longest of the three sections previously electrified along this rail line. Altogether, 117 km of this segment of the Wroclaw-Szczecin main line have already been electrified. The work that is being done on this rail line represents the most important capital project undertaken by the rail transportation industry in the western part of the country.

Work on the modernization of the coal-fired service main line has so far resulted in the reconstruction of two bridges across the Oder, the construction of five new electric power substations, and the laying of several dozen kilometers of new tracks. Medium-voltage power lines have been installed, a network of contact lines has been erected, and yard facilities at eight intermediate stations have been modernized. Work is proceeding on the meticulous modernization of the communications network and the rail traffic support system.

Contractors and designers are investing considerable resources in this capital project. Seven design offices have been working on the electrification of this main line, construction and assembly work is being performed by 11 specialized enterprises, and the railroad construction enterprise in Wroclaw is serving as the general contractor. The military and the Polish State Railroads track maintenance service have also been a big help in work on the electrification of this line.

Electrification work was also completed in other areas of the Polish State Railroads system. In the Silesian Polish State Railroads Administration District another section of electrified track running from Nedza station to Raciborz was put into service on 23 December 1982. This 9-kilometer long section of track permits direct electric train connections from Raciborz to Rybnik and Katowice. More efficiently run passenger and freight traffic has been introduced along the Kedzierzyn-Raciborz line. The improved efficiency of this service will also result in an annual savings of 2,300 tons of diesel fuel.

In December 1982 work was proceeding on the engineering shakedown of the electrified Szczecin-Trzebiez line, which went into service on 1 January. Work on the Bielsko Biala-Skoczow section was also completed. Electrification work along this line will be completed this year.

The pace of electrification work in the Polish State Railroads system is increasing, and this is producing substantial savings and benefits both for the national economy and for the Polish State Railroads enterprise.

Last year marked the passage of 55 years since the electrification of Poland's first section of standard-gage track along the Warsaw-Grodzisk Mazowiecki line. The next electrification five-year plan will undoubtedly make it possible to celebrate the 60th anniversary of the electrification of Polish State Railroads in a suitable fashion.

## Railroad Rolling Stock

Warsaw SYGNALY in Polish 12 Jan 83 pp 1, 2

[Article by Z.K.: "The Railroads at the Start of the New Year"]

[Text] During 1982 our railroads carried approximately 395 million tons of freight or 6 million tons less than in 1981. The number of passengers carried by rail varied within a range of upwards of 1,130,000 persons, that is, about the same number of passengers as were carried by rail in the preceding year. Briefly put, Polish State Railroads has lived up to its responsibilities.

We already have before us the rail transportation plan for 1983 as drawn up by the Planning Commission under the Council of Ministers. The order issued on making provisions for the proper performance of the rail transportation system during the period 1982-1985 is another valuable asset for the national economy.

Deliveries of railroad rolling stock have been uneven, and the volume of rolling stock delivered has not kept pace with demand. This has been going on for years. This is the reason for the shortage of rolling stock when one takes into account the necessity of having to write off fully depreciated rolling stock from existing inventories. For example, there will be from 7,000 to 8,000 fewer freight cars available for freight hauling jobs. For every 100 scrapped freight cars we gain 70 to 80 new ones. This is not enough! This, of course, is the reason why it is incumbent upon the railroad industry to pay more attention to the condition of its rolling stock and to accelerate and increase the scope of its repair and maintenance work.

As far as locomotives are concerned, we are not going to acquire any new diesel engines. It may prove to be possible to buy some SW 46 locomotives for passenger service, but not until somewhere around 1985. Nevertheless, 60 new electric locomotives are going into service every year. These are production volumes which are consistent with the requirements of the customer of the rolling stock manufacturing industry, i.e., Polish State Railroads.

In talking about these matters at a conference of PZPR plant committee secretaries the minister of transportation, Janusz Kaminski, stressed that under present conditions the main focus of effort must be on the recommissioning of "sick" freight cars and retired diesel-engine cars and, above all else, on the expansion of railroad system electrification.

During the period 1983-1985 we will be acquiring 350 new passenger cars every year. This volume of output will match the rate at which fully depreciated rolling stock is scrapped.

What about roadbeds? Plan targets for deliveries of crushed rock were fulfilled by 100 percent, concrete crossties--by the same rate, and wooden crossties--by 20-30 percent. Deliveries of S-60-type rails (by Katowice Metallurgical Works) have been on target, but there have been shortfalls in

deliveries of S-49 rails. Deliveries of turnouts have filled 60 percent of the orders placed; things are somewhat better when it comes to deliveries of shunt switches, where plan targets were fulfilled by from 70 to 90 percent. This problem is supposed to be solved during the period 1986-1990. More machinery should also have been produced for repair and maintenance work; only two Plasser tamping machines will be delivered this year; the number of tamping machines to be delivered in future years should amount to six to eight per annum. The same holds true for crushed rock cleaners and WM-10 and WM-15 machines.

Employment. We have nearly 30,000 fewer workers than we should have in the railroad industry. The reasons for this are generally well-known, and the fact that some railroad workers have been taking early retirement has had a lot to do with this labor shortage. This ties in with the rise in the number of overtime hours which railroad workers have to put in. The ministry has not gotten very much out of the government when it comes to employee promotion opportunities, but in the long run there are growing signs that this industry will be competitive with manufacturing industries in this regard, especially so in certain areas of the country and in certain centers.

The minister of transportation views the expansion of vocational training opportunities, of which there are not very many in this industry, as one of the most important ways to raise the level of employment in the railroad industry. This should be done not only through in-house training programs, but also by setting up railroad worker training curriculums within the framework of the existing public education system.

Heavy emphasis will be placed on the expansion of the support services infrastructure, i.e., ZNTK [expansion unknown], railroad car repair shops, and locomotive repair shops. As far as railroad construction enterprises are concerned, it is up to the railroads to decide what projects these enterprises will be working on. There is plenty of work to be done by these enterprises. All too often railroad car repair workers are having to do their jobs out in the open under the hot sun, in the cold, and in wind and rain. Housing conditions are often disastrous; the housing shortage is driving the young people we need away from jobs with Polish State Railroads.

The owner should be responsible for repairing its own rolling stock. Approximately 20,000 freight cars, 800 diesel locomotives, and 400 steam engines are waiting for repairs! This is what the plan says: this year customers are supposed to assume responsibility for at least 30,000 of these repair jobs, whereas in future years they will be responsible for all of them.

Railroad workers are being helped out with roadbed repair work by manpower mobilized by such institutions as the military, the Voluntary Labor Brigades, and OTK [expansion unknown]. In the future, however, it would seem to be a good idea for the railroad industry to give some thought to building up and expanding its own manpower base.



How much will we ship by rail and how will we do it? The truck transportation industry is continuing to lose business to the tune of 800 million (maybe even a billion?) tons per year. Railroad shipping capacities vary within a range of from 450 to 460 million tons a year. So, it is quite out of the question that the railroad industry is going to be able to handle all of this freight. Some customers are bound to wonder whether it pays for them to ship, say, crushed gravel from Wroclaw to Suwalki; there are many other similar strange shipments, and any state railroads district administration or DRKP [expansion unknown] can cite such examples. There will also be a falloff in some shipments of bulk goods, e.g., ore. All in all, the cost-effectiveness arguments on which the economic reform program is based must be advocated more strongly. The rule which holds that railroads ship goods over longer distances while the trucking industry ships goods over shorter distances will remain in force.

Shipping priorities will include coal, liquid fuels, the whole gamut of agriculture-related goods (produce, agricultural machinery, artificial fertilizers, and so on), export goods, and other miscellaneous items. The rule which holds that the railroads should ship those things which are most essential to the national economy must continue to remain in force for a long time to come.

Getting back to construction problems, it should be said that we have to harness all of our capacities. Local enterprises, agricultural enterprises, or rail cooperatives could be doing construction work for the railroad industry. Plans for shifting one railroad construction enterprise from one sectoral jurisdiction to another may produce 300-400 housing units per annum, but the demand for such housing units runs into the thousands.

Here are a few statistics from last year. Railroad freight car traffic throughout the Polish State Railroads system exceeded the plan target for 1982 and actual performance for 1981. Nevertheless, only the Silesian State Railroads District Administration managed to rack up a freight traffic performance indicator in excess of the plan target, while the Western State Railroads District Administration matched its plan target. The plan target for the in-house loading of standing freight cars was surpassed, and actual performance for this indicator category exceeded 1981 levels by 1.5 percent. Conversely, the daily traffic rate for locomotive runs fell short of the plan target. The number of malfunctioning railroad cars continued to rise and came to a total of 55,000 cars for 1982. This was due to the limited repair and maintenance capacities of the services infrastructure and difficulties associated with the delivery of essential materials support services, in addition to high breakdown rates during marshalling and loading operations.

#### Long-Range Electrification Plan

Warsaw SYGNALY in Polish 12 Jan 83 p 5

[Article by Benedykt Czekala]

[Text] It is projected that by the year 2000 70 percent of Poland's railroad lines, or 17,000 km of track, should be electrified, and by that time

90 percent of the transportation services delivered by Polish State Railroads will be performed along these electrified lines.

As of right now 7,407 km of railroad lines have been electrified, that is, 30.4 percent of the total system. In 1960 1,026 km were electrified (4.5 percent), in 1970--3,872 km (16.7 percent), and in 1980--6,868 km (28.1 percent).

During the period 1976-1980 1,280 km of railroad lines were electrified, that is, 820 km less than was planned. At the end of the 1970s and the beginning of the 1980s the rate of railroad electrification slackened off to an alarming degree. We have fallen way behind in this area, and we must make up for lost time over the next few years.

So we have to regain the former, relatively rapid momentum of railroad electrification which used to amount to 400-500 km of track per year.

The plan for this year calls for the electrification of 343 km of railroad lines, next year 431 km, and in 1985 464 km. Under the terms of the program for the renovation of Polish State Railroads during 1983-1985 as ratified by the government Presidium provisions were made for the electrification of the following Polish State Railroads routes: Wroblin Glogowski-Czerwinski, Szczecin-Dolna Odra, Malkinia-Bialystok, Wyszkiw-Ostroleka, Fosowskie-Kluczbork, Nedza-Raciborz-Chalupki, Golezow-Cieszyn, Sucha-Lachowice-Zywiec, Orzesze-Gieraltowice-Rzedowka-Makoszowy, Katowice-Chorzow Batory, Wodzislaw-Pawlowice-Cieszyn, Wroclaw-Lesnica-Milkowice, Opole-Jelcz-Wroclaw, Zbaszynek-Rzepin, Kutno-Torun, Torun-Bydgoszcz, Nowowroclaw-Torun, Kutno-Plock, Swidnik-Dorohusk, Tczew-Malbork, Nasielsk-Dzialdowo, Fosowskie-Strzelce Opolskie, and Zywiec-Zwardon.

The criteria for selecting which routes are to be electrified have remained unchanged for years. These criteria give first priority to the system's basic service lines which are traveled most often by freight and passenger trains. Less frequently used routes which like the aforementioned Polish State Railroads main arteries are also being electrified. As a result, it is becoming possible in some areas to schedule train traffic on a flexible basis by relying on a single, integrated electric power grid, that is, it is not necessary in marshalling yards in these areas to replace electric engines with diesel or steam locomotives). This is especially important in areas with dense rail networks such as, for example, the Silesian State Railroads District Administration.

The accelerated electrification of Polish State Railroads is dictated by engineering, power, and economic imperatives.

During the 1970s it was optimistically predicted that the last steam locomotive would be retired from our railroads and pass into history by 1985. But the drastic slowdown in the pace of Polish State Railroads electrification meant that we would continue to have to rely on steam locomotives through 1990. These machines, which are rebuilt by ZNTK [expansion unknown] at great trouble and expense, will remain in service.

The shortage of liquid fuels and the insane upward spiral in the prices of these fuels persuaded the Ministry of Transportation to curb the expansion of diesel-powered train service. Many foreign railroad system managers came to the same conclusion.

It has been calculated that it may be possible to conserve 104,000 tons of coal per year for every 100 km of rail lines which are converted from steam to electric locomotive service, and the removal of diesel locomotives from service along the same track distance will result in an annual savings of 7,600 tons of fuel oil.

Electric-powered train service is superior to diesel-powered trains for many reasons. For an ET 22 six-axle electric engine we pay 26,330,000 zlotys, whereas an ST 44 diesel locomotive costs us 34,078,517 zlotys (30 percent more). The cost of 1 KW of electric power for an ET 22 comes to 8,778 zlotys, while the fuel costs for an ST 44 locomotive are 23,151 zlotys (164 percent more). The maintenance costs for an ET 22 engine per 1,000 gross ton-kilometers comes to 67 zlotys, while the same costs for an ST 44 locomotive are 284 zlotys (324 percent more). The energy needed to run a train for 1,000 gross ton-kilometers costs 40 zlotys in the case of an ET 22 engine and 192 zlotys (370 percent more) when an ST 44 locomotive is used.

Here are some other major advantages of electric over diesel train service: reduced labor and materials intensiveness of maintenance and repair work; the feasibility of using mainly domestically produced materials; the use of energy from domestic sources; electric-powered rolling stock does not require refueling, something which tends to cause delays along sections serviced by trains which have to be refueled and reduces net time in service; higher power ratings make it possible for trains to run faster and carry heavier loads; the longer service life of rolling stock; improved working conditions for train and repair shop crews; less environmental pollution.

To be sure, diesel-powered train service also has certain advantages such as: lack of dependence on electric power lines; smoother control over startup speeds (compared to the electronic ignition startup time of electric-powered rolling stock).

There is another factor which argues in favor of regaining a rapid momentum in the electrification of Polish State Railroad lines, i.e., the many years of experience we have gained in this area. This statement holds true not only for specialists from the Rail Electrification Operations Plant in Warsaw and ZRK [expansion unknown] in Wroclaw (formerly known as PRKB [expansion unknown]), but also for specialists from Kolejprojekt in Warsaw and other railroad engineering design offices, in addition to the capital project management services of individual state railroads district administrations.

The efficiency of the railroad circulatory system will increase in pace with the degree to which it is bolstered by a current load of 3,000 volts.

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## ECONOMIC MECHANISM FOR STIMULATING PRODUCTION

Warsaw ZYCIE GOSPODARCZE in Polish No 3, 16 Jan 83 p 9

[Text] A Council of Ministers [CM] resolution dated 30 December 1982 initiated a new mechanism for stimulating production development--government orders. The purpose of this mechanism is twofold. First, it is to eliminate several "bottlenecks" in the production of raw and other materials and subassemblies that have held up or completely prevented the implementation of important economic and social goals. Second, it is a way of influencing structural changes. Total industrial production for 1983 is to increase between 3.7 and 4 percent, while production for government orders is to increase by 13 percent.

Before the CM resolution was passed, there was the common belief that government orders are an attempt to broaden operative programs "through the back door." However, there are a number of differences between these two methods of steering production, the most important being that government orders are not obligatory, offering incentives to those enterprises that accept and execute them through economic means, not directives. After much discussion, an entire range of economic incentives was prepared. Care was taken to ensure that these incentives comply as fully as possible with economic reform principles. The preferences related to the implementation of government orders may be divided into two groups: preferences related to materials supply and financial preferences.

Supply preferences consist of the use of a guaranteed supply of fuel and raw and other materials distributed centrally, as well as priority deliveries of nondistributive materials. Equally important are preferences in the field of financing imports from the second payments area [capitalist countries] that are indispensable to the execution of government orders. The minister of foreign trade guarantees the funding for centrally financed imports. According to the resolution, the foreign-exchange funds for other imports are to be received by the ministries--and used by the founding organs of the enterprises implementing the orders, based on principles similar to those used to finance imports for operational programs.

This group of preferences is based on the distribution principle with the same scope as is in effect for distribution throughout the entire economy. The second group, however, is based on reform principles; its primary basis is the potential for acquiring preferential investment and working capital and the possibility of making use of income tax reductions and relief in the form of



deductions for the State Vocational Activization Fund. The latter are awarded by the chairman of the Planning Commission upon the recommendation of the founding organ. Government orders will be implemented on a contractual basis. At the same time, a form of bidding for contracts is allowed, in which state, cooperative and private enterprises may take part.

Failure to execute a government order contracted for results in a series of sanctions--withdrawal of rate reductions and the return of foreign-exchange funds or their tenfold value in current zlotys, calculated in current zlotys (this value is considered to be an extraordinary, unjustifiable loss). In addition, normal contractual penalties apply.

Following, we are publishing a list of the materials and articles included in government orders for 1983. According to comments made by the minister of materials management, this list will not be changed throughout the year; however, the volumes of particular orders are not definitive.

This list, which encompasses about 3 percent of all industrial production, is fairly small. However, the supplies and foreign-exchange funds are guaranteed only for this amount. At the same time, the creators of the list were guided by the intention of resolving a certain number of problems that could not have been resolved, had the list been more extensive.

In the coming years this list is to be expanded, and government orders will be able to be long-term orders. If this form of steering production succeeds this year, it should gradually replace operational programs and guarantee that the most important social and economic needs of the country will be satisfied according to the principle of enterprise autonomy.

During the next few weeks, the Office of Materials Management will have to prepare a series of organizational solutions ensuring the efficient concluding of contracts between ordering and executing units and the awarding of preferences and tax reductions for the latter by banks, the Planning Commission, MHZ [Ministry of Foreign Trade] and other central institutions.

#### A List of Materials and Products Included in Government Orders in 1983

<u>Item</u>	<u>Volume</u>
Raw and Other Materials:	
Metallurgical products made from noncorrosive steel (stainless, heat- and acid-resistant)	50,000 tons
Metallurgical products from bearing steel	80,000 tons
Trolley car tracks	16,000 tons
Packaging sheet metal	120,000 tons
Chemical Fibers;	
viscose fibers	75,000 tons
polyamide fibers	68,000 tons
polyester fibers	76,000 tons
polyacrilonitrile fibers	11,000 tons
Thread	4,000 tons
Aluminum sulphate	60,000 tons

Item	Volume
Fodder phosphate	32,000 tons
Products and Semi-Finished Products for Production:	
Bathtubs	315,000
Sinks and drainboard sinks	425,000
Trolley cars type #102 and #802	220,000
Ship cable	7,600 km
Mining cable	5,000 km
Main series fluorescent lights	8.7 million
Acid-activated storage batteries	1.8 million
Tires	
truck tires	2.028 million
tractor tires	972,000
farm implement tires	676,000
Nitrogenous fertilizers	1.335 million tons
Insecticides	14,800 tons
Lacquer products (paints and lacquers)	280.0 million liters
Cast iron radiators	3.515 million m <sup>2</sup>
High-pressure hoses	3,800 km
Deep-well pumps (type G)	28,000
Rock wool	104,000 tons
Conveyor belts	3,300 km
Hot water transmission pumps for power industry enterprises	1,350
Market Products:	
Adult hosiery	170 million pairs
Adult knitted underwear	70 million
Voltaic batteries	274 million
Main series light bulbs	160 million
Bath soap	75,000 tons
Laundry detergent (powders and granules)	216,000 tons

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## SOCIOECONOMIC PLAN FULFILLMENT IN 1982 EVALUATED

Warsaw ZYCIE GOSPODARCZE in Polish No 4, 23 Jan 83 pp 1, 6

[Article by Marek Misiak]

[Text] A preliminary assessment of 1982 economic results presents a very complex picture. Alongside definite positive tendencies, negative trends also sprang up that we could not counteract effectively. Disproportions that have been accumulating for years continued in full force, adding to our current difficulties.

Positive trends include the increase in industrial production that has occurred since August and the resultant moderate increase in labor productivity in industry. Negative trends include above all the worsening situation in animal husbandry and the newly-arisen pressures in the monetary-market situation. Added to this is the significant reduction in imports from the second payments area [capitalist countries] due to indebtedness to foreign countries and economic restrictions.

The increase in the value of sales in industry in the final months of 1982, although on the upswing from month to month, was not large enough to offset the effects of the production decline from the first half of 1982. As a result, industrial production for the entire year of 1982 was 2 percent lower than 1981 industrial production.

### Production in Socialized Industry

Due to the great difficulties inherent in assessing the effects of the January and February 1982 price changes, the change in contract and regulated prices over the course of the year and the substantial change in structure, value indexes of production are not a sufficient basis for assessing the industrial production. Let us refer then to data illustrating production in actual units for the entire year.

Hard coal production extraction increased in 1982 by 16.1 percent (this was still below the 1979 level of 5.8 percent), brown coal extraction rose by 5.7 percent (1.1 percent lower than the 1979 level), electrical power production rose by 2.2 percent (an increase of 0.1 percent over 1979), electrolytic copper production increased by 6.4 percent (an increase of 3.6 percent over

1979), farm tractor production rose by 4.9 percent (a decline of 2.2 percent), the production of nitrogenous fertilizers increased by 1.9 percent (a decline of 5.7 percent), phosphatic fertilizer production grew by 0.2 percent (a decline of 6.8 percent), cement production increased by 13 percent (a 16.2 percent decline), paper production rose 6.2 percent (a decline of 4.3 percent) and sugar production increased by 5.9 percent (a 12.5 percent increase over 1979). Sugar production reached an unprecedented level of 1.794 million tons. The production of coke from hard coal was below the 1981 level by 3.5 percent, as were the production of natural gas (10.3 percent down from 1981), crude oil refining (a decline of 1.5 percent from 1981), zinc production (down 1.1 percent) and the production of aluminum (down 35.3 percent) and private cars (down 4.5 percent).

A significant, 11 percent increase in sold production (see table) in the socialized industry in December 1982 resulted not only from better output in industry but also from the low level of production in December 1981. By comparison with December 1979, sold production was 17 percent lower (for a comparable work time it was 23 percent lower), and by comparison with 1980, it was 10 percent lower (for a comparable work time it was 15 percent lower).

As a result of shortages in materials-technological supply, especially from import, a production decline occurred in December 1982 in 203 enterprises of a total of 3,500 state industrial enterprises in 8 basic ministries. This was manifested primarily as a temporary curtailment of the use of production capacities (in 162 cases) or as a permanent or partial production stoppage in enterprises for a period not shorter than till the end of 1982 (in 41 cases). According to enterprise estimates, due to the causes described above, the value of sold production declined in December by 14.8 billion zlotys, or 2.5 percent of the value of sold production in socialized industry (not including small-scale industry).

The average requirement for electrical power during the evening peak period in December 1982 during the evening peak period was 191,000 MW, which was 600 MW higher than the December 1981 requirement, or 3.3 percent. Restriction of consumer usage of power due to shortages did not occur. Electrical power production rose 10 percent, including an increase of 10.6 percent in public-utility electric power plants.

The relative improvement in supplying the economy with energy and the growth of the value of sales in the socialized industry at the end of 1982 are without a doubt positive phenomena. The impact of this increase on the most critical spheres of our economy--the increase in export and the improvement in supplying the domestic market--have not yet had a significant effect. This emanates both from the production structure and from its inferior quality.

#### Construction, Investments, Housing, Transport

In basic production of construction-installation enterprises, there was likewise a considerable slowing of the production decline in December by comparison with results over 11 months (from a decline of 10.1 percent to a decline



of 5.7 percent). By comparison with 1979, production in these enterprises for the entire year of 1982 was 34.4 percent lower.

For the period January-November 1982 (there is a 1-month delay in data reporting), construction investment tasks were put into operation for a combined cost-estimate value of 138.6 billion zlotys (this does not include small-scale industry and scientific industry). This is 60.9 percent of the tasks (in terms of cost estimate value) projected to be put into operation for an 11-month period in 1982.

The value of investment outlays realized in the socialized economy from January to November 1982 in current prices was 687.2 billion zlotys, of which 436.3 billion zlotys represented construction-installation projects and 221.2 billion zlotys were for machinery and equipment purchases. By comparison with the same period in 1981, investment outlays declined by 18.5 percent, including a decline of 14.4 percent in construction-installation projects.

In 1982 in socialized housing construction, 129,000 units in apartment buildings were made available (442,700 rooms with a usable floor space of 6.8487 square meters). By comparison with 1981, the figures were down for apartments by 11,300 (or 8.1 percent), for numbers of rooms by 42,100 (8.7 percent) and for usable floorspace by 563,000 square meters (or 7.6 percent). At the end of 1982, the number of apartments in buildings under construction was 15 percent less than at the beginning of the year, i.e., 175,000 fewer apartments.

The number of apartments made available in the socialized economy in 1982 reached the 1966 level.

In transportation, the 1982 balance sheet shows both a significant reduction in deliveries, as well as relatively large changes in transport structure. The total amount of cargo reached 1.065 billion tons and was 12.2 percent below the 1981 level. There was a reduction in the carrying of cargoes via public and subsector truck transport (by 20.3 percent), air transport (by 23.6 percent) and inland shipping (by 17.4 percent). Meanwhile, rail transport grew slightly (by 0.1 percent), as did pipeline transport (by 2.6 percent) and maritime shipping (by 2.9 percent).

#### Agriculture

The situation in agriculture in recent months by comparison with the first half of 1982 has worsened, especially with regard to animal husbandry. In December 1982, free-market grain prices trended near November levels and averaged 3,000 zlotys per quintal. By comparison with December 1981 prices, grain prices were 20 percent higher, and by comparison with compulsory prices in state procurement, they were 107 percent higher. Free-market prices for potatoes in December were 1,320 zlotys per quintal (an increase of 3.4 percent over November). With grain prices kept high, and the free-market price of potatoes on the rise, the price ratios of slaughter hog procurement compared with the price of fodder mixtures worsened. The price

of procurement price of 1 kg of slaughter hogs in October 1982 equaled 8.9 kg of fodder mixtures; in November it equaled 8.8 kg, and in December 8.6 kg. This ratio was lower than for any December of the 1971-1981 decade, except for the year 1980, in which it was 7.2 kg. In years of a favorable economic situation in agriculture it was 13 to 15 kg.

Total butcher livestock procurement in 1982 approached the 1981 level (it increased by 0.4 percent) and was lower by 28.7 percent than the 1979 level. This was largely due to the great increase in the sale of slaughter cattle. Milk procurement in 1982 by comparison with December was somewhat higher than in 1981, while egg procurement was 16.8 percent lower (in December 1982 by comparison with December 1981, it was 30 percent lower). Reduced deliveries of fodder practically eliminated the farm production of poultry. As a result, poultry procurement in 1982 was nearly 70 percent below the 1981 level. The number of animals was adjusted to reduced fodder supplies, causing a decline in the basic herd on some farms, thus reducing 1983 procurement.

The number of head of meat-bacon hogs contracted for delivery from January through March 1983 is 25.8 percent lower than for the same period in 1981. This is directly related to the decline in the number of porkers being raised, which is an obvious market consequence of the cutback in animal raising since last spring.

On the other hand, there are some symptoms of a halt in the decline of the price of piglets and gilt herds. The per-unit price of piglets in December 1982 nationally averaged 1,840 zlotys and was 180 zlotys higher than in November. It should be kept in mind, however, that in January 1982, the price of piglets reached 3,300 zlotys. The declining trend of breeding gilts at breeding points somewhat weakened. The supply of gilts at procurement points somewhat declined slightly.

Total consumer grain procurement from 1982 harvests from the beginning of the harvest through the end of December 1982 reached approximately 2.7 million tons, of which more than 0.9 million tons was from the socialized economy (not including grain supplied for fodder mixtures of PGR [Polish State Farms] of the Ministry of Agricultural and Food Economy) and approximately 1.8 million tons were from the private farms. By comparison with procurement for a similar period from 1981 harvests, total grain procurement was more than 80 percent higher; procurement from the socialized economy was 130 percent higher, and procurement from private farms was 65 percent higher. Despite increased procurement, grain supplies for the baking industry are insufficient, due to reduced imports.

Potato procurement from 1982 harvests from the beginning of the campaign to the end of November 1982 reached more than 2.3 million tons and was 36.8 percent below procurement for this same period from 1981 harvests.

Sales of concentrated feed for the July-December 1982 period reached 1.0402 million tons and were 33.7 percent below the levels for the same period in 1981. Due to the need to commit considerable foreign exchange funds at

present for purchasing grain for the baking industry, the prospects are not good for improving supplies of concentrated fodder for farms.

Sales of artificial fertilizers have likewise declined significantly. The shortage of tires and other spare parts for tractors, as well as the shortage of farm implements is still very severe.

#### Money-Market Situation

The most serious problem of the last part of 1982 was the increase in the nominal earnings of the population that was far in excess of the increase in previous months.

Monetary private income from the socialized economy in December 1982 reached 361.8 billion zlotys, an increase of 76.9 percent by comparison with December 1981; workers' emoluments taking into account employee compensations reached 189.0 billion zlotys, for an increase of 64.6 percent; income from the sale of farm products into socialized procurement amounted to 60 billion zlotys (an increase of 61.6 percent), and social services amounted to 56.5 billion zlotys (an increase of 112.6 percent).

Total 1982 private income amounted to 3.401 billion zlotys (an increase of 62.6 percent by comparison with 1981), employee emoluments plus compensations (not including family members) amounted to 1.7545 billion zlotys (an increase of 45.8 percent), income from the sale of farm products was 614.5 billion zlotys (an increase of 45.8 percent) and social services income reached 628.6 billion zlotys (an increase of 136.5 percent).

The average monthly wage in four basic sectors of the socialized economy (industry, construction, transportation and communications and trade) in December 1982 reached together with employee compensation (not including compensation for family members) reached 15,426 zlotys. This was 58.6 percent higher than in December 1981. The breakdown of data for these sectors follows: the extractive industry--34,411 zlotys, an increase of 101 percent; the processing industry--14,630 zlotys, an increase of 57 percent; the construction industry--14,865 zlotys, an increase of 73.8 percent; the transportation industry--13,797 zlotys, an increase of 39.5 percent; the communications industry--11,049 zlotys, an increase of 28.8 percent; and trade--11,702 zlotys, an increase of 30.9 percent.

Personal expenditures in December 1982 reached 333.3 billion zlotys, an increase of 85.5 percent. This includes outlays for purchasing goods amounting to 281.9 billion zlotys, an increase of 96.7 percent. Thus, the growth of outlays for purchasing goods was significantly more rapid than the combined total of personal expenses.

The total amount of personal expenses for 1982 was 3.0099 trillion zlotys, up from 1981 by 66.5 percent. Outlays for the purchase of goods for this period amounted to 2.497 trillion zlotys, up 75.5 percent. Private monetary reserves in December 1982 increased by 28.5 billion zlotys, while private reserves for all of 1982 increased by 391.1 billion zlotys, including savings

deposits of 199.4 billion zlotys and cash of 191.7 billion zlotys. As a result, the total amount of private monetary reserves at the end of December 1982 reached approximately 1.44 billion zlotys, while cash reserves reached 561 billion zlotys.

The retail sale of goods by units of the socialized economy reached 2.624 billion zlotys in 1982, an increase of approximately 77 percent over 1981 (in current prices). This was a decline of about 17 percent in comparative prices.

In light of this, problems of money-market stability become the most critical area of the current economic policy. The increase of wages and social services in 1982 will have an impact upon the continued increase in private income and monetary reserves in 1983. In the coming months, our supply will fall short of the demand. This means that the very unfavorable situation regarding the continual supply of goods by trade will continue, weakening the incentive to work and creating difficulties for economic reform. The solution of these problems is one of the most important and difficult tasks for economic policy at the beginning of 1983.

#### Foreign Trade

The end of 1982 saw a definite increase in export and a somewhat greater increase in import than was projected. December results showed a continuing trend from previous months. The negative balance of goods turnover in foreign trade from the first payments area [socialist countries] rose from 37.1 billion zlotys for 11 months of 1982 to 43.2 billion zlotys for the entire year of 1982. Meanwhile, the negative foreign trade balance in turnovers with the second payments area [capitalist countries] continued to increase from 108.5 billion zlotys to 117.2 billion zlotys. Imports from the second payments area for all of 1982 were below 1981 levels by 23.1 percent; export was higher by 3.4 percent.

As the preceding data shows, in 1983 we entered a very complex situation in all of the most important subsectors of the economy. Due to the domestic situation, it will be very difficult to strengthen positive trends and counteract negative ones. The adjustment of our situation to drastically reduced imports from capitalist countries will require significantly greater efforts, for example, in the field of investments. Nor can we achieve significant results here in a short time since in farming, for example, this type of change takes years.

In 1983, the economic reform should have a greater impact upon the efficiency of operation of particular subsectors and subbranches. Given the limited potential for increasing deliveries of the means of production that are in short supply, only the improved utilization of existing resources can bring us an increase in production and an improvement in satisfying society's needs. But this is a difficult route and it, too, takes time.



# Most Significant 1982 Economic Data

Item	Unit of measure	Absolute figures		Percentages for the same period 1981=100	
		XII	I-XII	XII	I-XII
		3	4	5	6
Sold production in social- ized industry in 1982 purchase prices	billion zlotys	0.64	6.57	111	98
Average employment in socialized industry	million persons	4.48	4.47	95.6	94.8
Average monthly wage with employee compensation in socialized industry:					
--total	zlotys	16,961	12,202	166.4	154.8
--processing industry	zlotys	14,630	10,779	157.0	149.0
--extractive industry	zlotys	34,411	22,972	201.0	172.7
Hard coal extraction	million tons	15.5	189.3	117.2	116.1
Electrical power production	million kWh	12.0	117.6	110.0	102.2
Basic production in social- ized construction- installation enterprises	billion zlotys	51	625	134.0	94.3
Investment outlays (January-November)	billion zlotys		687		81.5
Apartments made available	thousands	32.7	129	126	91.9
Total slaughter hog pro- curement weighed after slaughter, converted into meat	million tons	0.16	1.89	105.3	100.4
Private income	billion zlotys	0.36	3.40	176.9	162.6
Private expenses	" "	0.33	3.01	185.5	166.5
Retail sales of goods by units of socialized economy	" "	0.29	2.62	194.7	176.6
Total export	" "	115.0	934.1	122.6	110.4
--I payments area	" "	58.3	450.6	133.2	118.6
--II payments area	" "	56.6	478.1	113.3	103.5
Total import	" "	112.4	860.1	94.2	89.3
--I payments area	" "	64.4	499.3	94.2	101.1
--II payments area	" "	48.0	360.9	94.2	76.9

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CSO: 2600/297

# DAILY CONDEMNS PEOPLE WHO CHEAT FOOD ECONOMY

AU220801 Warsaw SZTANDAR MŁODYCH in Polish 16 Feb 83 p 2

[Andrezej Borycki commentary: "Green Hyenas"]

[Text] Statistical analyses made by the militia show that in the past 2 years, agriculture and the agricultural and food industry have literally become an "Eldorado," a goldmine for typical profiteers, advocates of the idea of making money easily and dishonestly.

The most common offenses in agriculture and the food economy include bribery, speculation, misappropriation of property, inefficient management and waste.

As far as misappropriation of property is concerned, aside from the new phenomenon of deliberately reducing the quality of agricultural and animal raw materials, this category is dominated by stealing by workers. This stealing is very often organized. It occurs especially where agricultural crops and animals are procured. By cheating suppliers on the weight and category of goods, eliminating supposedly spoiled goods such as beets and grain at the time of procurement and by increasing the weight of the packaging material, the people who classify produce create an excess of produce, and after the appropriate transactions have been completed this excess produce ends up as "zlotys" in the fat wallets of speculators.

It is similar with the storage and processing of produce. And here, stealing becomes a mass phenomenon. Fictitious damage reports are prepared, the quality of stored produce is deliberately reduced, agricultural crops are "saved" during the cleaning and drying processes, and during processing, recipes and production technology are unheeded.

It is impossible to omit speculation when discussing criminal activity in agriculture and the food economy. The most typical forms of speculation include buying up slaughtered and live animals, agricultural crops and agricultural machines and equipment for the purpose of selling them further at a profit.

Speculation is a veritable plague, as well as the ever-increasing slaughtering of animals for sanitary and breeding purposes. Quite often, false health certificates are used to slaughter a healthy animal just so that the meat does

reach the central distribution point. Beef or pork coming from these animals is sold privately to shady dealers, and not only to them. The most frequent clients are restaurant or quick-service bar operators [ajenci] and the owners of private farms which breed fur animals. Here, the healthy meat is used as food for foxes or coypus.

Bribery also has a considerable influence on the growth of crime in the food economy. The corruption of state functionaries is especially large here. This is not surprising, since agriculture is an area of our economy where private and state sectors clash.

Despite the control and preventive activity undertaken by the citizens' militia, crime in this sphere is growing from one year to the next. In the second half of last year alone, 1,040 people were arrested for this kind of crime, in other words almost 40 percent more than in 1981. How much longer will these green hyenas, preying on the honest work of all of us, continue to stuff their pockets with tens of thousands of dishonestly earned zlotys?

CSO: 2600/402

## BRIEFS

FALL PLANTED AREA--Last fall, according to the latest report from the Federal Bureau for Statistics, about 1,900,000 hectares were planted, or about 66,000 hectares (4 percent) more than in the fall of 1981. This included somewhat more than 1,600,000 hectares in wheat, or 2 percent more than in the fall of 1981. Socialized farms planted about 435,000 hectares in wheat last fall, while private farmers planted about 1,167,000 hectares; this is an increase in both cases. [The following regions] planted the areas indicated in wheat [last fall]: Bosnia-Herzegovina 148,000 hectares (1 percent more than in 1981), Montenegro 4,000 hectares (32 percent more), Croatia 324,000 hectares (4 percent less); Macedonia 115,000 hectares (7 percent more), Slovenia 47,000 hectares (8 percent less), Serbia 471,000 hectares (1 percent more), Kosovo 99,000 hectares (10 percent more), and Vojvodina 394,000 hectares (9 percent more than in the fall of 1981). [Text] [Belgrade BORBA in Serbo-Croatian 1 Feb 83 p 12]

STATUS OF WHEAT CROP--Vojvodina wheat fields which total 376,000 hectares look in excellent condition, especially that planted within the October [1982] time period. Dr Todor Misic, professor of the agricultural faculty in Novi Sad, said that the wheat crop looks very good throughout the country, not only in Vojvodina. The recent snows have been a good protective cover. All the wheat in Vojvodina fields has sprouted, and most is in the clustering stage. [Excerpt] [Belgrade BORBA in Serbo-Croatian 8 Feb 83 p 12]

COAL PRODUCTION--Coal production last year totaled 54.6 million tons, or 5 percent more than in 1981. This was about 4 million tons less than called for in the energy balance sheet but it must be noted that mines operated with the same capacities as in 1981 (and as a result did not meet consumer needs), while several large surface mines were not used to capacity because of delays in building some thermoelectric power plants. In addition, there was a constant lack of materials (cables, conveyor belts, etc.) and spare parts. The highest production increase (6.3 percent) was in lignite (43.5 million tons were produced); 10.7 million tons of brown coal was produced (1.5 percent above 1981 production), while nearly 400,000 tons of hard coal was produced (0.8 percent increase over 1981). [Excerpt] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 24 Jan 83 p 31]

COALS RESERVES IN SLOVENIA--Coal reserves in Slovenia are about 50 percent more than estimated up to now. The most recent exploration shows deposits of over 400 million tons of lignite and brown coal, most in the Pomurje area. [Text] [Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 24 Jan 83 p 9]

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